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SUBJECT: SCENESETTER FOR PM DAS COULTER-LED JUNE 26-27
POL-MIL TALKS

REF: A. LIMA 994
[B. LIMA 513](#)
[C. LIMA 3259 \(06\)](#)

Classified By: Ambassador J. Curtis Struble for Reasons 1.4 (c and d)

[1](#)1. (SBU) Your visit to Peru to lead the first-ever Political-Military talks between Peru and the United States comes at a time when relations between Lima and Washington are in excellent shape. Since assuming office in July 2006, President Garcia has maintained the solid macroeconomic fundamentals laid down by his predecessor. This has kept the country on an arc of sustained economic growth -- 8 percent in 2006 and 7.5 percent annually for the first quarter of [2007](#). Garcia's challenge is to convert this economic growth into significant poverty reduction. The ratification of the U.S.-Peru Trade promotion Agreement (PTPA) by our Congress is a vital foundation for a strategy of poverty reduction through economic growth. For that reason, the President has made good relations with the U.S. a top priority.

[1](#)2. (C) In its foreign policy, Peru sees itself as part of a moderate bloc of Pacific coast nations (Chile, Colombia, Mexico) that can provide a quiet counterbalance to Venezuelan President Hugo Chavez' radicalism. Garcia feels that the best way to blunt the appeal of the Chavez model is not by confrontation or rhetoric but by proving that market based policies deliver more benefits to the people than does populism.

[1](#)3. (C) Garcia's state reform plans include a special focus on the defense sector. Defense Minister Alan Wagner has spearheaded this defense reform effort. He has launched initiatives to reduce corruption and to give Peru more effective control over its sovereign space, but the centerpiece reform is to refocus the military away from supposed conventional threats from neighboring countries and toward existing transnational threats of narcotics trafficking, international terrorism and Venezuelan-backed "Bolivarian" destabilization (Refs).

[1](#)4. (C) Your visit gives us an opportunity to identify priority areas of cooperation in the context of our larger shared interests, support Peru's incipient defense reform effort, and fortify the political-military dimension of an already-strong regional partnership. We have identified a number of priority issues for the draft agenda worked out by Post and Washington. They are the following:

Regional Security Picture:

-- A discussion of regional challenges and dynamics.

-- Peru's interest in reforming its military to meet the challenges of transnational crime (narcotics trafficking and terrorism).

Security Cooperation Enablers:

-- Article 98: The GOP has repeatedly told us that an Article 98 Agreement as such will be difficult, but that an avenue for an accord might come through adjustments to the 1952 U.S.-Peru Military Agreement (1952 Agreement), which established the Military Assistance Advisory Group (MAAG) in Embassy Lima. GOP counterparts told us several months ago that they had engaged the services of an international legal expert resident in Lima to determine if sufficient flexibilities exist in the 1952 Agreement to accommodate our Article 98 concerns (and/or a SOFA-like arrangement.)

-- SOFA: We believe the Peruvians are trying to reduce the controversy normally associated with SOFA agreements by trying to put the accord in the context of longstanding bilateral or international agreements (1952 Agreement). We should not be unduly concerned with formalities or unwittingly put the cart before the horse in focusing on the viability of using such an agreement as a basis for further discussion. Rather, our priority should be to get the GOP to understand that a SOFA will facilitate our growing mil-mil relations and therefore that SOFA discussions should go at the top of our bilateral discussions, and to deal with other secondary issues as they come up.

Expanding Peru's Peacekeeping Capabilities:

-- We understand informally that the Peruvians are close to signing the proposed 505 Agreement that would give them access to USD 4.4 million of PSOI funds to help better equip and train units that will participate in global peacekeeping operations.

Military-Military Relations

-- Military Education: Much of what passes for education and training in the Peruvian army in particular remains mired in the outdated, nationalistic concept of the Velasco Era. We should emphasize our willingness not only to extend training opportunities through IMET (within our limited IMET budget), but also to help the Peruvians enrich and update their own strategic studies curriculum within their military academies.

-- DOS/DTRA Assistance Visit/Stockpile Management: In March, the DOS/DTRA team made a highly successful visit to Peru. Now we should press for follow-up. The Peruvians have excess stockpiles that they can neither maintain nor use, and some of these weapons have already been siphoned to the FARC. We should take this opportunity to emphasize how modernization and trimming unusable arms caches can pay off in the form of better and more secure stockpile management, including improvements to facilities.

-- Customs P-3: The Peruvians have approved Customs P-3 flights in principle, but have put into place a number of onerous conditions, which we believe should be worked out in a special P-3 sub-group technical meeting scheduled for Wednesday 6/27. It would be useful, however, to welcome their cooperation on this issue and express our eagerness to clear out remaining roadblocks and get this initiative moving.

-- Ship Visits: The GOP has recently taken to requesting full crew lists for visiting US Navy ships. We have underscored that such a requirement could impede future ship visits.

Comment: Interest Strong, Sensitivities Remain

15. (C) Peru's interest in building up the political-military dimension of our solid bilateral partnership is genuine and strong, but sensitivities remain. Following Defense Minister

Wagner's March visit to Washington, there was a flurry of news reports regarding the U.S.'s supposed ambitions to establish a military base in Peru when the Manta CSL lease in Ecuador lapses. GOP officials have firmly denied such reports, which continue to surface from time to time. The GOP sees an opportunity in the post Manta environment, but to avoid counterproductive blowback we need to be extremely careful in framing this issue, particularly in our public interventions.

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